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Congo Achieves Debt Relief

¶1. (U) Christmas came late to Congo, as the World Bank and IMF announced January 28 that Congo(B) had achieved HIPC "completion point," a significant step toward debt relief for the country. According to the IMF and World Bank, the decision will generate total debt service savings of USD 1.9 billion, including USD 1.7 billion from the Enhanced HIPC countries and USD 201.3 million from the Multilateral Debt Relief Initiative. This represents President Sassou's top policy objective since his reelection in July 2009, and he asked the IMF to delay its public announcement long enough for him to make the announcement to his cabinet earlier the same day. The next step in the debt relief process will be a formal review of Congo's debt by the Paris Club.

¶2. (SBU) IMF mission chief for the Congo Robert York noted in the IMF's public statement that it will be important for Congo to "maintain a sustainable external and domestic debt position through careful borrowing and prudent fiscal policy." In theory, this should not be difficult for oil-producing Congo, which is setting aside USD 3.1 billion or half of its 2010 anticipated revenue toward future needs rather than spend it this year. This also may be a reference to anticipated public pressure to spend: Several public service unions are pressing the government to revise the "social truce" that has been in effect since the HIPC discussion started and which has limited public

sector salary increases. Most observers assume that pay hikes will come - that it is simply a question of how much and when.

¶3. (SBU) The performance of Sassou's government should now be measured, in part, by the extent to which it follows through on reforms undertaken at the behest of the World Bank and IMF in order to achieve debt relief. The most important of these were intended to improve the transparency of Congo's oil sector, and resulted in the first successful audit of oil revenues, as well as the implementation of new accounting systems and auditing standards. Congo also standardized the process through which it sells oil (and closed Cotrade, which previously existed as a subsidiary of the national oil company for the sole purpose of selling oil, and was headed by President Sassou's son). There were also important reforms to combat corruption (an anti-corruption commission was created) as well as in government procurement, the forestry sector, and the education sector.

(Note: In its report, the IMF accepted at face value the government's previous practice of selling oil through intermediaries, which the government claims was necessary to hide revenues from vulture funds, but left the door open to significant diversion of funds. These practices have now ended as a result of the reforms undertaken during the HIPC process, but it will be critical to watch the extent to which the government follows the new procedures. End note.)

Chevron Employees Released

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¶4. (SBU) Following the discovery of a theft of USD 10 million from its downstream gasoline/diesel retail operation (a dozen or so gas stations previously operated under the Texaco logo in Congo, recently sold to the Congolese national oil company), there is a nasty fight under way between Chevron and French-owned BCI bank over the matter. According to Chevron, several of its former employees were involved in the fraud and Chevron believes that there is a strong possibility of collusion by BCI employees, since 22 of 24 of the fraudulent transactions involved went through BCI bank, including one in which an individual was allowed to cash a Chevron check for around USD \$250,000, leaving the bank with the money in a suitcase. Chevron contacted authorities in Pointe-Noire, who began an enthusiastic investigation of the case, resulting in three arrests and the identification of another suspect believed to have fled the country.

¶5. (SBU) However, for reasons that are not clear to us, BCI approached prosecutors in Brazzaville, who opened a competing investigation with a completely different narrative, i.e. that BCI was wronged by false accusations by Chevron. Net result: at the behest of BCI, the Chevron employees who uncovered the fraud were jailed in December by the Brazzaville court. (Comment: That's right, the good guys, according to Chevron, who were not even employed in the Congo during the entire period of the thefts. End comment.)

¶6. (SBU) Last week, these two employees (one Mauritian and the other Franco-Mauritian) were released on a bail of USD 250,000 (posted by Chevron) following the visit of a special envoy from the Prime Minister of Mauritius. Chevron is in crisis response mode and has sent a team here from corporate headquarters, security and the regional office of Chevron downstream to try to get the distressed two employees out of the country and back to

their families as quickly as possible. Congo's judiciary is reported to be in the process of identifying a senior judge to take over the two competing cases, which should help resolve the legal struggle between Chevron and BCI. (Comment: Since the national oil company now owns the former Texaco operation - and is satisfied with the terms of its acquisition - it is not clear what BCI gains from a protracted legal battle, but it will likely take some more time to untangle all of the judicial and political angles to this case. End comment.)

Brazzaville Hosts Two Conferences

¶7. (U) Brazzaville is the location for two conferences of note in February. From February 2-4 COMIFAC (Commission for Central African Forests) and the FAO are co-hosting a conference on carbon monitoring in the Congo basin. American NGO Wildlife Conservation Society (WCS), which has a large program in Congo funded in part by USAID and US Fish and Wildlife, has sent a team of experts to discuss measurement and protection of carbon stocks. Over 150 participants from around the world are slated to attend the conference. American organizations sending representatives include USAID, the US Forest Service, NASA, the Woods Hole Research Center, the University of Maryland, UCLA, South Dakota State University, WCS, and WWF.

¶8. (U) From February 15-17, USAID and WHO/AFRO (which is headquartered in Brazzaville) will be meeting to discuss an emerging pandemic threats (EPT) program funded by USAID. WCS, which has received funding from USAID to study linkages between human and animal diseases, will also participate in this program.

CEMAC - What's This About a New Airline?

¶9. (SBU) The Bangui meeting of Central African Economic Monetary Community (CEMAC) January 15-17 was notable in Brazzaville for

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several reasons, not least that President Sassou assumed the rotating presidency from CAR President Bozize. Congolese media also noted the growing economic and political influence of Equatorial Guinea, which will assume the governorship of Central African Bank (BEAC) for the next five years. Perhaps most notable for general audiences, however, was the proposal for CEMAC to create a regional airline in partnership with South African Airways (SAA). CEMAC officials hope that the airline will operate five planes and serve as a link between central African states, which are currently somewhat cut off from each other due to a lack of transportation options. (Note: CEMAC representatives here in Brazzaville confirmed that SAA would have an ownership stake in the airline, but we would want to see further confirmation of this agreement before putting too much stock in it; SAA does not have an office in Brazzaville. End note.)

¶10. (SBU) Comment: While it is certainly true that air travel between the capitals of central African states is a challenge, CEMAC officials would be well advised not to forget Air Afrique, which existed to provide a link between African countries but was not commercially viable and went bankrupt in the 1990s. We

note also that though the airline is supposed to be headquartered in Brazzaville, there are also supposed to be two "important offices" in Libreville and Yaounde, which looks a lot like an enterprise that will be run politically, not economically. End comment.

Hydropower Comes to Brazzaville

¶11. (U) President Sassou cut the symbolic ribbon January 27 on a \$280 million hydroelectric dam at Imboulou, 200 kilometers north of Brazzaville on the Lefini River, a tributary of the Congo River. The first 30 megawatt turbine out of four (for a total capacity of 120 megawatts) has just been completed after five years of work. The \$280 million project is fully financed and constructed by China and is expected to be completed in 2015. The government hopes that the first electrical power generated by the dam will reach Brazzaville by March 2010; the power transmission line remains to be completed.

Congo Plans for Fiftieth Anniversary Celebration

¶12. (U) Congo will celebrate fifty years of independence on August 15, 2010, and President Sassou has appointed a hundred-person commission to organize the event. Minister of State for Basic Infrastructure Isidor Mvouba will chair the commission and its ten sub-commissions. (Comment: We anticipate that the government, flush with oil money and having just achieved debt relief, will put a lot of resources into the celebration. President Sassou will also use the next six months to highlight projects - such as the hydroelectric dam - that demonstrate development undertaken under his watch. If the independence celebration is anything like the inauguration, members of the commission will compete heavily with one another in order to demonstrate their loyalty. It'll certainly be a big show. End comment.)

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